

list of issues to be considered in this docket; second, on August 1, 1994 parties were to submit a reconsidered list of issues to the Commission; third, on September 15 and 16, 1994 presentations to the Commission were scheduled to be made by the parties regarding the extent that competition already exists in Louisiana and current barriers to competition; and finally, November 14-18, 1994 and January 12-13, 1995 were set as the dates for Technical Conferences

Presentations were made on September 15 and 16, 1994, by SCB, SCC, AT&T, MCI, TCG, MFS, LCTA, Shreveport, Lafayette and Monroe Cellular, and the AAUC as to the current status of competition in Louisiana and barriers to competition. The Technical Conferences originally scheduled for November 14-18, 1994, were rescheduled to commence on November 30, 1994 and conclude on December 2, 1994.

The first round of Technical Conferences were held on November 30 through December 2, 1994. Participating in this Technical Conference were SCB, AT&T, MCI, Sprint, LDDS, LCTA, Radiofone, Centennial Cellular, McCaw Cellular, Shreveport Cellular, Monroe Cellular, Lafayette Cellular, SCC, Reserve Telephone, and EATEL. All participants were invited to comment on the following issues in order to aid the Commission in formulating appropriate regulations for competition in the local telecommunications market.

1. To what extent is competition in the local intrastate and/or inter-exchange telecommunications market in Louisiana in the Public interest?

What services should be competitive?

When should competition begin? Should competition commence all at once or be phased in?

Where should competition begin? Should it be statewide or through pilot programs

What are the benefits of competition?

What are possible drawbacks of competition?

What is the likely future level of competition?

What restraints, if and would be appropriate on "skimming?"

2. How will consumer/rate payers be protected?

In regard to dispute resolution

In regard to rate discrimination?

In regard to access to services including new Offerings?

In regard to rate shock?

In regard to inferior service?

In regard to privacy and use of customer information?

3. How will Local Option[al] Service be accommodated in a competitive environment?

Would entrants be required to offer local calling areas identical to those offered by LEC's?

Should Local Option[al] service be permitted on other terms and conditions?

Should LEC's be required to comply with an imputation standard for LOS calls in the 22 - 40 mile range?

4. What tariffs and reporting requirements should be established?

What carriers should be required to file tariffs?

For which service should tariffs be required?

What would a tariff filing consist of?

Would it be appropriate for the Commission to require new local entrants along with incumbents to provide periodical reports for the Commission to analyze concerning the growth of competition? If so, what reports? How often?

Should the incumbent LEC's have the same tariff filing requirements as CAPS?

To what extent should current LEC tariff and reporting requirements be altered?

How are prices to be determined? Price caps, price floors and/or ceilings, rate of return, other methods, free market?

What other filings, reports should be required?

Should requirements change with the growth of competition and at what point would change be appropriate?

Should termination charges be prohibited for customers who change carriers?
Exceptions?

5. What entry and service standards should be established?

What should be the criteria for admission of new entrants?

What should be the standards of service to be required of new entrants?

What features, such as for example directory listing, access to 911, operator assistance, etc. should be required?

Who has the obligation to serve?

6. How will the practicalities of Networking and Interconnection be accomplished?

How will carriers complete calls across competing networks?

Should the Commission require the interconnection of all networks?

What physical connection arrangements are available, desirable?

What criteria and mechanism for access should be established?

Should CAPS have access to LEC data bases? If so, under what terms and conditions?

Should all carriers be barred from developing incompatible systems?

How will interaction of wireless services be part of the overall consideration?

To what extent should bypass of existing facilities and the duplication of facilities be considered?

The second round of Technical Conferences were held on January 12 and 13, 1995. The following parties participated in this Technical Conference: SCB, AT&T, MCI, Sprint, LDDS, LCTA, Radiofone, Centennial Cellular, McCaw Cellular, Shreveport Cellular, Monroe Cellular, Lafayette Cellular, SCC, Reserve Telephone and EATEL. Discussion of the following issues was encouraged of all participants at the Technical Conference:

1. How will Universal Service be provided?

Which services provide the subsidy? Quantify the amount of the subsidy that is necessary to support universal service.

Which universal service components, if any, are now provided under cost, and by how much?

How would universal service be preserved in a competitive market?

Who has an obligation to provide universal service?

At what point would responsibility shift to alternate provider?

Who should be required to pay for universal service?

Is a universal fund feasible?

How would a universal fund be set up and administered?

What alternatives are there?

How is the cost of universal service to be determined? LRIC/TLRIC cost studies?

2. How will carrier of last resort and life-line service be provided?

Is there a continuing need for carrier of last resort?

What criteria would be used to determine carrier of last resort?

What would be necessary in order to continue low cost life-line services to all customer in need of the service?

3. Is number portability technically and economically feasible?

What alternatives are there to number portability?

Because discussion of all of the remaining issues could not be completed at the January Technical Conference, a final round of Technical Conferences was scheduled for February 16 and

⁴LPSC Docket U-20883 (Subdocket A - Universal Service) was ordered open by the Commission at its October 12, 1994 Open Session to specifically address the issue of Universal Service. A hearing was held on December 15, 1994 regarding what services should be included in the definition of Universal Service. The Commission adopted definition of Universal Service can be found in LPSC General Order dated May 22, 1995.

17, 1995. Participating in the final round of Technical Conferences were SCB, AT&T, MCI, Sprint, LDDS, LCTA, Radiofone, Centennial Cellular, McCaw Cellular, Shreveport Cellular, Monroe Cellular, Lafayette Cellular, SCC, Reserve Telephone and Paramount Wireless. Comments were solicited from all of the participants regarding the following issues

1. How will price/rate determinations among carriers be reached?
What level of unbundling should be required?
What service should be available for resale?
How should unbundled services be priced?
How should packaged services be priced?
What method of price determination should be employed?
How can prices be monitored for fairness?
What protection should be provided against anti-competitive behavior and discriminatory conduct and pricing?
2. How will expanded services and new technologies be accommodated or encouraged?
What can be done to encourage emerging technology?
What can be done to ensure Louisiana can make full use of the information superhighway?
How will multimedia service be provided?
What safeguards need to be put in place so rural as well as urban customers are able to take full advantage of new services?

At the conclusion of the Technical Conferences, all parties were given until April 20, 1995 to file formal written comments and suggested proposed regulations. Pursuant to an agreement of all of the parties, the April 20, 1995 deadline for the filing of proposed regulations was extended to April 28, 1995. Sprint, Radiofone, Centennial Cellular, SCC, LCTA and SCB filed comments and proposed regulations. Additionally, a jointly submitted set of proposed regulations was filed by AT&T, McCaw Cellular, MCI and LDDS.

While the Competition Docket was proceeding, the Regulatory Track of Docket U-17949 (Subdocket E) was likewise proceeding. As the regulatory track progressed it became evident that inconsistent or conflicting regulatory schemes could be developed in the parallel dockets. Subsequently, in order to promote consistent regulation of the telecommunications industry in Louisiana, the Commission at its July 19, 1995 Open Session ordered the transfer of the Regulatory Track of Docket U-17949 (Subdocket E) into the Competition Docket (U-20883).⁵

On September 1, 1995, after analyzing and considering the written comments and suggested proposed regulations filed by each party, the Commission Staff issued its initial draft of the *Proposed Regulations for Competition in the Local Telecommunications Market*. Written comments and stipulations to these proposed regulations were solicited from all parties to be filed by September 11, 1995, which date was extended to September 12, 1995. Comments were filed by AT&T, Shreveport Cellular, Lafayette Cellular, Monroe Cellular, MCI, Centennial Cellular, LCTA, LDDS, Crescent City Networks, Sprint and Paramount Wireless.

A Stipulation Conference was held on September 18 through 21, 1995, where each provision of the proposed regulations was scrutinized by all parties. The goal of this conference was to determine which provisions of the proposed regulations the parties agreed to and which provisions there was genuine disagreement. Staff was questioned extensively as to the intent behind each provision, the interrelationship between different provisions, and the meaning of terms used and not specifically defined. Each party was given an opportunity to discuss the impact particular provisions would have on that party. After considering the input of the parties, some of the provisions were rewritten at the conference in an effort to develop a workable set of regulations. At the conclusion of the conference it was determined that none of the parties could stipulate to all of the regulations as written.

⁵Order U-17949 (Subdocket E) dated August 22, 1995.

In order to obtain additional input from the parties, on September 27, 1995, a Second Notice of Amendment of Procedural Schedule was issued. This Procedural Schedule provided that a second draft of the *Proposed Regulations for Competition in the Local Telecommunications Market* would be issued by the Staff on October 6, 1995 followed by the parties filing written stipulations to the proposed regulations by 12:00 noon on October 13, 1995 in accordance with the Procedural Schedule, and after considering each party's comments from the Stipulation Conference, the Staff issued its second draft entitled the *Second Revised Proposed Regulations for Competition in the Local Telecommunications Market* on October 6, 1995. On October 9, 1995, SCB filed Objections To Amendment To Procedural Schedule and requested a stay in the proceedings until its objections were considered by the Commission. Comments and/or written stipulations to the *Second Revised Proposed Regulations for Competition in the Local Telecommunications Market* were filed in accordance with the Procedural Schedule on October 13, 1995 by LDDS, SCC, SCB, Global, MCI, LCTA, AT&T and EATEL. On October 20, 1995, the stay was granted by Administrative Law Judge Carolyn L. DeVitis until the Commission could consider SCB's objections at its scheduled October 24, 1995 Open Session. At the Commission's Open Session, the Commission denied SCB's objections and found that Rule 56 and the adjudicative provision of Part XI of the Rules of Practice and Procedure are inapplicable to rulemaking proceedings.⁶

Subsequently, on October 24, 1995, a rulemaking procedural schedule was issued by the Commission, through its Secretary, establishing comment and reply comment periods to ensure that all parties were given ample opportunity to comment on the proposed regulations.⁷ The following dates were set:

Staff Issuance of the Third Revised Regulation.....	October 26, 1995
Comments Due [by the parties].....	November 15, 1995
Reply Comments Due [by the parties].....	November 27, 1995

After considering each party's filed comments to the *Second Revised Proposed Regulations for Competition in the Local Telecommunications Market*, the Staff released its third draft of the proposed regulations entitled *Third Revised Proposed Regulations for Competition in the Local Telecommunications Market* on November 1, 1995. Because of the delay in the issuance of the the third revision of the proposed regulations and in order to give all parties ample time to file comments, the comment periods established pursuant to the procedural schedule issued on October 24, 1995, were revised to:

Comments Due [by the parties].....	November 21, 1995
Reply Comments Due [by the parties].....	December 1, 1995

On November 21, 1995, comments were officially filed by SCB, BSM, Paramount Wireless, LCTA, TSA, AT&T, Global, Sprint, Centennial Cellular, Radiofone, McCaw Cellular, MCI, EATEL, LDDS, SCC, BRI, Kaplan Telephone Company, Reserve Telephone, Liskow & Lewis and Postlethwaite & Netterville. Due to the Thanksgiving Holidays, the large number of parties filing comments and to ensure all parties had adequate time to file comments, the deadline for filing reply comments was extended to December 8, 1995. Reply comments were filed by AT&T, MCI, SCB, SCC, ACSI, Global, Sprint and EATEL.

After consideration of all comments and reply comments filed by the parties, staff issued *Commission Staff's Final Proposed Regulations for Competition in the Local Telecommunications Market* on January 18, 1996. A Public Hearing on the *Commission Staff's*

⁶Order U-20883, Louisiana Public Service Commission, ex parte. *In re: The Development of Rules and Regulations Applicable to the Entry and Operations of, and the Providing of Service by, Competitive and Alternate Access Providers in the Local, Intrastate and/or Interexchange Telecommunications Market in Louisiana*, dated October 27, 1995.

⁷On November 17, 1995, SCB filed an Objection to October 24, 1995 Revised Procedural Schedule. This objection was later withdrawn by SCB.

Final Proposed Regulations for Competition in the Local Telecommunications Market was held on February 13, 1996 before Commissioners Brupbacher, Dixon, Sittig and Schwegmann to give each party an opportunity to present oral arguments on how the proposed regulations should be modified. At the conclusion of the hearing, all parties and the general public were invited to file proposed amendments to the proposed regulations by 4:30 p.m. on February 26, 1996 in order to be considered prior to the regulations' adoption. Proposed amendments were received from ACSI, BSM, BRI, LDDS, Cox Communications, Telecommunication Management Association, LCTA, MCI, McCaw, AT&T, Radiofone and Centennial Cellular.

In addition to the parties submission of proposed amendments to *Commission Staff's Final Proposed Regulations for Competition in the Local Telecommunications Market*, Commissioners Schwegmann, Dixon and Brupbacher submitted proposed amendments. Commission Brupbacher's proposed amendments were submitted in the form of complete substitute regulations based on the *Commission Staff's Final Proposed Regulations for Competition in the Local Telecommunications Market*. These substitute proposed regulations contained several amendments directly resulting from settlement negotiations with BellSouth Telecommunications, Inc. regarding two pending Commission proceedings, Docket U-17949 (Subdocket E - Financial Tract) and U-17949 (Subdocket A - Reengineering). Commissioners Schwegmann and Dixon's amendments addressed specific provisions, sentences and/or words of the *Commission Staff's Final Proposed Regulations for Competition in the Local Telecommunications Market* and proposed specific changes thereto.

In an effort to avoid confusion, Commission Brupbacher's substitute regulations were designated the *Substitute Proposed Regulations for Competition in the Local Telecommunications Market*, and along with Commission Schwegmann and Dixon's amendments, were filed into the record on February 27, 1996 and made available to all parties on February 28, 1996.

At the Commission's March 5, 1996 Open Session, the first two items on the agenda were:

"Ex. 1a___ U-17949 (Subdocket-A) (Reengineering Adjustment) - BellSouth Telecommunication, inc., d/b/b South Central Bell Telephone Company vs. Louisiana Public Service Commission, 19th Judicial District Court, Docket No. 418205-1

U-17949 (Subdocket - E) - In re: Development of Regulatory Plan for South Central Bell, including Assessment of Alternative Forms of Regulation, Depreciation Methods and Expensing, Cost of Capital, Capital Structure, and Other Related Matters.

Re: Discussion of Stipulation/Possible Settlement by Staff Attorney Gayle Kellner. Possible Executive Session Pursuant to L.A. R.S. 42:6.1(A)(2)

Ex. 1b___ U-20883 - Louisiana Public Service Commission, ex parte. In re: The development of rules and regulations applicable to the entry and operations of, and the providing of services by, competitive and alternate access providers in the local intrastate and/or interexchange telecommunications market in Louisiana.

Re: Consideration of Proposed Rule and Amendments thereto."

The Commission first considered Ex. 1a detailed above. On the motion of Commissioner Brupbacher, seconded by Commissioner Owen with Commissioners Sittig and Dixon concurring, and Commissioner Schwegmann absent, the Commission voted to go into Executive Session to discuss a proposed Stipulation by BellSouth Telecommunications, Inc. and the possible settlement of the above reference litigation. Upon the conclusion of the Executive Session and reconvening of the Open Session, on motion of Commissioner Brupbacher, seconded by Commissioner Sittig

with Commissioners Owen and Dixon concurring, and Commissioner Schwegmann absent, the Commission voted to accept the proposed Stipulation and Settlement Agreement with BellSouth Telecommunications, Inc.⁸ The Stipulation sets forth the following provisions, among others

- "1. Effective April 1, 1996, BST will be regulated pursuant to the terms of the Consumer Price Protection Plan (Price Plan) set forth in Section 701 of the *Substitute Proposed Regulations for Competition in the Local Telecommunications Market* ("*Substitute Regulations*") filed in Docket U-20883 February 27, 1996, as adopted by the Commission at its March 5, 1996 Business and Executive Session, and attached hereto as Exhibit 1.
2. Over the initial three (3) that BST is regulated pursuant to the Price Plan, BST shall reduce its rates in the cumulative amount of seventy million dollars (\$70,000,000) with the first reduction occurring in April, 1996 in settlement of Docket U-17949 (Subdocket E). Additionally, BST shall make a one time nine million dollar (\$9,000,000) credit to BST ratepayers in April, 1996 in settlement of Docket U-17949 (Subdocket A - Reengineering)."

The Commission next considered Ex. 1b. After due consideration of the extensive record built in this proceeding including, but not limited to, the comments filed by all of the parties, the numerous presentations made by the parties to the Commissioners and Staff, and the amendments proposed by the parties and the Commissioners, and furthermore, giving due consideration to the Stipulation and Settlement Agreement entered in Dockets U-17949 (Subdocket E) and U-17949 (Subdocket A - Reengineering) and the Telecommunications Act of 1996,⁹ and in order to effectuate the policies set forth in the Preamble of the *Substitute Proposed Regulations for Competition in the Local Telecommunications Market*, on the motion of Commissioner Brupbacher, seconded by Commissioner Sittig, with Commissioners Owen and Dixon concurring, and Commissioner Schwegmann absent, the Commission voted to adopt Commissioner Brupbacher's proposed *Substitute Proposed Regulations for Competition in the Local Telecommunications Market* filed into the record on February 27, 1996 which included Staff amendments and several amendments proposed by the Commissioners.

IT IS THEREFORE ORDERED THAT:

1. The *Substitute Proposed Regulations for Competition in the Local Telecommunications Market* attached hereto and made a part hereof, are hereby adopted.
2. The *Substitute Proposed Regulations for Competition in the Local Telecommunications Market* shall be redesignated and known from this time forward as the *Regulations for Competition in the Local Telecommunications Market*.
3. All provisions of the *Regulations for Competition in the Local Telecommunications Market* are hereby ordered by the Commission.

⁸See Orders U-17949-TT, dated March 15, 1996 (Docket U-17949 (Subdocket E): Louisiana Public Service Commission, ex parte. *In re: Development of regulatory plan for South Central Bell, including assessment of alternative forms of regulation; depreciation methods and expensing; cost of capital structure; and other related matters*) and U-17949-UU, dated March 15, 1996 (Docket U-17949 (Subdocket A) Louisiana Public Service Commission, ex parte. *In re: Investigation of the Revenue Requirements, Rate Structure, Charges, Services, Rate of Return, and Construction Program of South Central Bell Telephone Company in its Louisiana Intrastate Operations, Appropriate Level of Access Charges and all matters relating to the Rates and Services rendered by the Company - Reengineering Adjustment Investigation.*)

⁹Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996), amending the Communications Act of 1934, 47 U.S.C. 151 *et seq.*, and 18 U.S.C. 1462.

4. All entities subject to the provisions of this Order and the *Regulations for Competition in the Local Telecommunications Market* shall take all actions required by this Order and the *Regulations for Competition in the Local Telecommunications Market*.

5. This order shall be effective immediately.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
March 15, 1996

Absent

JOHN F. SCHWEGMANN, CHAIRMAN
DISTRICT I

/s/ IRMA MUSE DIXON
IRMA MUSE DIXON, VICE-CHAIRMAN
DISTRICT III

/s/ DALE SITTIG
C. DALE SITTIG, COMMISSIONER
DISTRICT IV

/s/ DON OWEN
DON OWEN, COMMISSIONER
DISTRICT V

/s/ ROSS P. BRUPBACHER
ROSS BRUPBACHER, COMMISSIONER
DISTRICT II


SECRETARY

Kentucky

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The Kentucky PSC has not yet formally addressed interconnection issues. However, we have a pending administrative hearing on all issues relating to local competition beginning March 25, 1996. Each of the items in the survey will be addressed in these hearings.

Louisiana*

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* See Volume IV for the Text of Orders referenced in this response.

Louisiana has addressed many of the questions asked in the survey. However, due to some conflicts, they were unable to respond to the questions directly. Copies of the relevant orders are included Volume IV.

Massachusetts*

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* See Volume IV for the Text of Orders referenced in this response.

Introduction The Massachusetts Department of Public Utilities (MDPU) on its own motion opened an investigation into intraLATA and local exchange competition, on January 5, 1995 (docket D.P.U. 94-185). The issues under investigation in that docket are essentially the same as those issues referenced in Section 251 of the Telecommunications Act of 1996 (1996 Act). Evidentiary hearings were completed in December of last year, and initial briefs were filed on January 26, 1996. Upon passage of the 1996 Act, the MDPU suspended the briefing schedule and requested comments on how the 1996 Act affects the completion of D.P.U. 94-185. Those comments are due March 14, 1996 (see attached procedural notice).

1. Certification Requirements and Removal of Barriers to Entry (Section 253)

The MDPU deregulated market entry for all common carriers, other than payphone providers, in June of 1994 (see D.P.U. 93-98, attached). Prior to that, the MDPU required all carriers to obtain a certificate of public convenience and necessity based on the carrier's technical, financial, and managerial fitness, before entering the intrastate market. As of the date of passage of the 1996 Act, the MDPU no longer requires payphone providers to obtain a certificate of public convenience and necessity (see notice, attached). The only remaining entry requirement is for all carriers to have an MDPU-approved tariff on file prior to offering intrastate service. The following carriers have MDPU-approved tariffs to offer competitive local exchange service: MCImetro, MFS Intelenet, Teleport, and Brooks Fiber. Currently, only MFS Intelenet has tariffed rates for residential service, but Residential Communications Network (RCN) filed a tariff to offer competitive local exchange service to residential customers effective March 23, 1996.

The level of competition in Massachusetts for local exchange service is unknown.

2. Interconnection and Collocation (Sections 251(a)(1), (c)(2), & (c)(6))

NYNEX has signed interim co-carrier agreements (ICCA's) for interconnection with MFS Intelenet, Teleport, MCImetro, and Brooks Fiber (see, e.g., MCImetro ICCA, attached). These agreements are in effect pending final resolution of interconnection rates, terms and conditions. Under the terms of the ICCAs, parties interconnect using a "meet-point" billing arrangement, with collocation at a NYNEX access tandem or at any point mutually agreed to by NYNEX and the connecting party. NYNEX voluntarily provides physical collocation for intrastate services in Massachusetts.

3(a). Unbundled Access (Section 251(c)(3), 252(d)(1))

The ICCAs provide for some level of unbundling in order to provide access to 911 service, directory assistance, signalling, and operator services, for example, but the MDPU has made no findings on any of the questions listed.

3(b). Pricing of Unbundled Access (Sections 251(c)(3) and 252(d)(1))

The ICCAs include negotiated prices for some unbundled network elements, but the MDPU has made no findings in this regard, so there is no set standard for such pricing.

3(c). Rates, Terms, and Conditions (Sections 251(c)(2)(d) and 252(d)(1))

NYNEX has tariffed rates for physical collocation. Those rates were derived through negotiations with Teleport and do not reflect any specific ratemaking principles.

4. Reciprocal Compensation (Sections 251(b)(5) and 252(d)(2))

The ICCAs provide for reciprocal compensation for terminating local calls at a rate of \$0.015 per minute. Again, this is an interim rate subject to a final decision by the MDPU. In addition, according to the terms of the ICCAs, the final rates approved by the MDPU will be retroactive to the date of the ICCA.

5. Resale (Sections 251(b)(1) & (c)(4) and 252(d)(3))

Currently, there are only two restrictions on local exchange resale in Massachusetts: (1) resale of flat-rate services is currently prohibited; and (2) residential service may not be resold. Resale is an issue that is under investigation in D.P.U. 94-185.

6. Number Portability (Section 251(b)(2) and 251(e))

The MDPU has adopted no long-term number portability solution. Call-forwarding as an interim solution is a part of the ICCAs. Under the terms of the ICCAs, the call-forwarding solution costs \$4.00 per month per business line, and \$2.00 per month per residence line.

7. Dialing Parity (Section 251(b)(3))

The MDPU has made no findings on intraLATA dialing parity. It was an issue in D.P.U. 94-185, but we did not resolve it prior to December 19, 1995.

8. Universal Service (Section 254)

There are no state rules to refocus intrastate universal service policies to redirect implicit subsidies towards explicit, competitively-neutral subsidies. The issue of universal service support was being investigated in D.P.U. 94-185. However, from 1990 to 1994, the MDPU significantly rebalanced NYNEX's rates to make them more reflective of costs. Also, as part of NYNEX's price cap (approved last May), the Lifeline credit was increased to \$6.00 per month.

9. Geographic Averaging (Section 254(g))

Providers of intrastate exchange service in Massachusetts are not required to charge different rates in different geographic areas. In fact, Massachusetts has a single, state-wide rate for local unlimited service (1FR), and the rates for residence local unlimited and measured services are capped until August 2001, as part of NYNEX's price cap. NYNEX may lower these rates in different geographic areas, but only if they do not go below incremental cost.

Maryland*

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* See Volume IV for the Text of Orders referenced in this response.

1. Certification Requirements and Removal of Barriers to Entry: The Commission's certification requirements for newly entering providers of facilities based and resale local exchange service require the provider to file an application with supporting financial information with the Commission. Tariffs are filed with the Commission and are subject to the Commission's review. (Order No. 71155, Case No. 8584, April 25, 1994). Commission Staff has 30 days to review applications and initial tariffs. The applications and tariffs are accepted or rejected by the Commission at weekly, public administrative meetings.

There are no statutory or regulatory barriers to entry in Maryland.

MFS-I, MCI Metro and TCG are authorized facilities-based carriers of local exchange service. MFS-I and MCI Metro are providing services to business customers in Maryland. TCG is offering service on a trial basis and is waiting Commission approval of their tariffs. AT&T has been granted approval to operate as a reseller of local exchange service. AT&T has not filed tariffs with the Commission. Several applications are pending before the Commission.

The Commission regulates non-facilities based local exchange companies no differently than facilities based companies. However, there may be situations requiring facilities based carriers to be subject to regulatory requirements that would not be applicable to resellers.

2. Interconnection and Collocation: Order No. 72348 in Case No. 8584, Phase II established the rates and terms for interconnection. Co-carriers pay 0.5 cents/MOU for interconnection at Bell Atlantic Maryland, Inc.'s ("BA-MD") tandems and 0.3 cents/MOU for interconnection at its end offices. BA-MD pays new local service entrants the same 0.3 cents/MOU rate for termination of calls on their networks (p. 32). Order No. 70357 in Case No. 8533 allows the local exchange company the option of using physical or virtual collocation, subject to Commission review upon complaint. BA-MD has tariffed virtual collocation arrangements for intrastate services. No physical collocation arrangements have been tariffed.

3(a) Unbundled Access: The process established for BA-MD in Case No. 8587 required BA-MD to unbundle elements for resale when unbundling is requested by a co-carrier, reseller, or interconnector, and wherever it is reasonable and technically feasible to do so without causing damage to network integrity. Unbundling disputes are resolved through a collaborative open network architecture ("ONA") process under Staff's supervision, with the Commission being available to resolve issues not settled through the collaborative process.

3(b) Pricing of Unbundled Access: In Order No. 71155, Case No. 8584, the Commission approved dialtone line unbundling on a conceptual basis. In Order No. 72348, Case No. 8554, Phase II, the Commission approved a methodology to set rates for links and ports. The ratio between the prices for unbundled links and ports would mirror the ratio between the direct costs of those components. (pp. 38-39)

3(c) Rates, Terms, and Conditions: Tariffs for BA-MD's unbundled loops and ports are presently being reviewed by the Commission Staff.

4. Mutual Compensation (Reciprocal Compensation): The permanent termination rates are \$.005 for tandem interconnection and \$.003 for end office termination (Order No. 72348, Case No. 8584, Phase II, p. 32). The Use of bill and keep as a compensation mechanism was rejected by the Commission (pp. 27-28).

5. Resale: It has been the Commission's past policy to authorize resale of BA-MD's service at rates that cover costs (Order No. 71155, Case No. 8584, p. 34). By Order No. 72433, in Case No. 8721, the Commission has instituted a proceeding to consider wholesale rates for telecommunications services. BA-MD has presently filed tariffs with the Commission to allow unrestricted resale to co-carriers and resellers.

6. Number Portability: The Commission has ordered BA-MD to provide remote call forwarding (RCF) as an interim number portability solution. In addition, a consortium made up of industry and Staff is examining all of the issues associated with developing a permanent solution for number portability. Cost recovery has not yet been decided.

7. Dialing Parity: BA-MD is required to provide intrastate dialing parity when allowed to provide interLATA toll services. New entrants, if they choose, need not allow their customers to presubscribe to IXC's for intraLATA toll calling until BA-MD is made to do so. (Order No. 72348, Case No. 8584, Phase II, p. 41). According to BA-MD officials, the Company is planning to implement dialing parity.

8. Universal Service: The Commission established a proceeding to consider universal telephone service issues (Order No. 72348, Case No. 8584, Phase II, p. 75).

9. Geographic Averaging: Intrastate interexchange service is generally averaged statewide. Some toll rate structures provide different rates for various mileage bands.

BA-MD local exchange dialtone service is deaveraged in two rate zones. (Rate Group A exchanges with 650,001 or more weighted main stations and Rate Group B with 650,000 stations or less). Rate Group B has higher dialtone line rates to reflect the higher cost difference. The rate groups are further deaveraged for usage rates. Deaveraged usage rates reflect "value of service" differences.

Montana

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1. Certification Requirements, etc. New facilities based providers of local exchange service in Montana are required to submit tariffs to the Montana PSC for approval prior to offering service (this requirement does not apply to telephone co-ops, which are not regulated by the PSC). By Montana statute, resellers are exempt from PSC regulation. The Governor has established a "Blue Ribbon Task Force" on telecommunications in Montana. One of their tasks is to identify any changes in Montana statutes that may need to be revised to comply with the Telecommunications Act of 1996. There are no facilities-based or resale providers currently offering local service in Montana. We expect some competition to develop in the near future among adjacent LECs.

2 - 4. Interconnection and Collocation; Unbundled Access and Pricing; Rates, Terms, and Conditions; Mutual Compensation. The Commission has not performed any detailed investigation of interconnection issues in the past few years (other than traditional access charge issues). However, interconnection issues have surfaced on a few occasions. These occasions were in the context of US West (USWC) tariff filings to implement interconnection arrangements (both Type 1 and Type 2) applicable to Commercial Mobile Radio Carriers (CMRCs).

The Commission is currently involved in several EAS dockets which will require interconnections between two or more companies. The companies are in the process of negotiating the terms, conditions and pricing arrangements of these interconnections. The results of the negotiations are to be submitted to the Commission in April.

5. Resale. There are no legal barriers to the resale of local exchange in Montana, however, there is no resale activity in any local exchanges in Montana. The Montana PSC has not addressed setting wholesale rates for resale.

6. Number Portability. Not addressed yet in Montana.

7. Dialing Parity. In May of 1995, the Montana PSC opened a docket (No. 95.4.18) to examine 1+ intraLATA dialing parity in response to a petition submitted by AT&T. The PSC requested comments on 1+ as well as on a number of other related issues. The docket was suspended in light of the then pending Federal legislation, and is still open, but inactive.

8. Universal Service. The Montana PSC has filed comments with the FCC in their investigations of universal service, but has not opened a proceeding at the State level. Universal Service is one of the focuses of the Governor's Blue Ribbon Task Force.

9. Geographic Averaging. Geographic deaveraging is generally prohibited in Montana. 69-3-807 (5) of the Montana Telecommunications Act (MTA) states in part: " A provider of regulated message telecommunications service and related services shall average its service rates on its routes of similar distance within the state unless otherwise authorized by the commission. "

General Information. The Montana PSC has opened a generic docket to investigate local exchange competition (Docket No. D96.2.16), including all of the issues mentioned above. We are currently exploring alternative ways to conduct this investigation in light of the new Federal legislation. It is likely that we will at least develop rules or guidelines that incorporate basic principles (as identified by the Commission in its investigation, and as specified in the 96 Telcom Act).

As an initial step in this investigation, the PSC conducted a roundtable discussion on Tuesday, March 5. The agenda included a thorough review of the 96 Telecom Act by Dr. Vivian Davis of NRRI. Then incumbent LECs made presentations on their perspectives followed by presentations from potential local exchange service entrants (cable providers, AT&T, MCI, etc.). The entire afternoon was spent discussing specific issues such as interconnection (resale, number portability, unbundling, etc.), BOC interLATA entry, Universal Service, and rural issues. The Montana PSC has requested written comments to be submitted by 4/5 on these issues as well.

Michigan*

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* See Volume V for the Text of Orders referenced in this response.

Michigan Public Service Commission Responses to the FCC List of questions for NARUC members to address regarding local competition policies in the States

The responses were prepared by the Communications Division of the Michigan Public Service Commission. Responses to several of the questions reference the new Michigan telecommunications Act, P.A. 179, as amended by P.A. 216 (PA 216). A copy of PA 216 is included in Volume V. The responses correspond to the number of each question in the questionnaire. The questions are not repeated.

1. The certification, or licensing requirements for newly entering providers of facilities-based and resale local exchange service are as follows:

1. Must offer service to both residential and business customers
2. Certain consumer billing rules (Case U-11043 pending)
3. Certain quality of service standards (Case U-11040 pending)
4. Certain privacy standards (Case U-11042 pending)
5. Must tariff services

See Sec. 301(1) of PA 216 regarding the licensing of providers of basic local exchange services.

The following facility-based or resale providers have begun to offer competitive local service: Brooks Fiber Communications

Level of competition: de minimis

2. Rates for interconnection, until 1-1-97, will be at TSLRIC per Sec. 352(1) of PA 216. After that date, the rates will be just and reasonable. Locations at which companies will be able to interconnect is pending completion of a Commission decision in Case No. U-10860, a generic proceeding regarding local interconnection.

Policy of physical or virtual collocation: For toll access, Sec. 310(4) of PA 216 requires that "A provider of toll access services shall make available for intrastate access services any technical interconnection arrangements, including collocation required by the federal government for the identical interstate service." Section 356 of PA 216 requires virtual collocation be made available for local interconnection, and allows for interconnection on other terms and conditions.

3(a). Unbundling rules are pending completion of a Commission Order in Case No. U-10860. Any contracts need to be offered without discrimination to all customers which meet the requirements of the contract and the contract needs to tariff the major items involved. Rates for loops, number portability, termination of local traffic, 911 service, and access to databases were approved on February 23, 1995 (Case No. U-10647) by the Commission. Also see Sec.355 of PA 216.

3(b). The rates of all regulated services are required to be priced at not less than the TSLRIC of providing each service (Sec. 321 of PA 216). Prices may reflect volume and term discounts as long as prices cover TSLRIC. The Commission issued an order in 1994 regarding a methodology for conducting TSLRIC studies (Case No. U-10620). PA 216, Sec. 102(ff) also defines TSLRIC.

3(c). Rates for interconnection are based on TSLRIC coverage. Article 3A of PA 216 lists the requirements for local interconnection. One item of importance to note is that PA 216 makes no distinction between charges for interconnection between incumbent LECs and newly licensed or competitive LECs.

4. The rate for mutual compensation is \$.015 per minute (originating and terminating) per Sec. 352(2) of PA 216. Possible consideration of other rates for Ameritech are pending before the Commission in Case No. U-10860. Bill and keep is not applicable, and there is no rate distinction between end office and tandem termination at this time.

5. Per Sec. 357 of PA 216, Resale of local exchange service is required. Sec. 357 specifies the terms for determining wholesale rates. Ameritech and GTE have resale tariff proposals filed with the Commission, which have not been processed due to conflicts with Michigan law.

6. Per Sec. 358(2) of PA 216, number portability is required by 1-1-99. In the interim, DID and RCF are being offered, per Sec. 352(2). Ameritech has rate proposals pending for DID and RCF before the Commission in Case No. U-10860. A proposal is also pending in that proceeding to establish a date earlier than 1-1-99 for long term number portability.

7. The Commission recently issued a show cause order, Case No. U-11050, which would require GTE to provide intraLATA dialing parity immediately, in compliance with State and Federal telecommunications laws. Ameritech was required to provide dialing parity to 10% of its customers on 1-1-96, and then to all its customers when it is released from its interLATA restrictions. GTE was also under the 10% mandate until the recent passage of the Federal law. See Sec. 312(a) and (b). Access to telephone number, operator service, directory assistance and directory listings were established as part of the local interconnection rules, not dialing parity. See discussion in other areas of this document, and Article 3A of PA 216.

8. The Commission has not addressed the issue of universal service. Section 316 of PA 216 requires that local exchange companies offer certain low income customers the availability of basic local exchange service at a rate below the regulated rate, i.e., a lifeline rate. Also, Sec. 202(c) directs the Commission to create a task force to study universal service, and report on its findings to the legislature and governor by the end of 1996.

10. Section 312(a) of PA 216 states a provider of toll service may charge the same rate for the service on its routes of similar distances. Local exchange service rates which vary due to density have been filed by Ameritech, but approval is still pending.

New Jersey

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On December 8, 1995, the New Jersey Board of Public Utilities initiated an investigation and rulemaking proceeding to determine whether or not to permit local exchange competition in New Jersey and, if so, under what conditions such competition would be allowed. That pending docket addresses many of the issues raised in the survey questions.

New York

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The Department staff is available to meet with the FCC to further clarify our approach.

1. Certification Requirements and Removal of Barriers to Entry (Section 253).

Q. Please describe your certification requirements for newly entering providers of facilities-based and resale local exchange service. What actions have been taken to remove barriers to entry? What, if any, barriers remain? Have any facilities-based or resale providers begun to offer competitive local service? If so, which carriers are providing what types of services? What is the level of competition?

A. Streamlined procedures are used to certify new applicants who wish to provide telecommunications services. The applicants need submit only rudimentary information such as names and addresses of the company and its principal officers, the services the company plans to offer, a brief description of its planned network configuration or architecture (for facilities-based local exchange carriers or LECs), its plans to ensure provision of reliable access to emergency services (e.g., 911 or "0-") and to fulfill other common carriage obligations. Applicants are usually certified within 90-120 days. New York has been promoting local competition and does not have barriers to entry. We have adopted reasonable terms and conditions in the public interest.

Approximately 36 certificates (representing 23 companies) have been issued to provide competitive local exchange service in New York. Of those 23 companies, 20 are facilities-based, and 3 are offering local service on a resale basis. Of the 20 facilities-based carriers, seven provide business-type services only, including private line service, six provide service to both the business and residence markets, one provides only operator services. Six facilities-based companies have been certified but have either not yet filed a tariff, or have filed a tariff that has yet to be approved. Of the three resellers, one provides service to both business and residence customers, and the other two have limited their offerings to business customers.

As of November 1995, New York Telephone has opened 118 competing local exchange carrier codes in 250 of its switches, has installed almost 8000 tandem and end office trunks, 1272 competing carrier meet point trunks, 6486 paths to provide number portability to competing carriers, and provided 4526 links for use by new entrant customers. In addition, the company has installed 25 collocation cages, over 5000 switched access trunks, as well as E911/911, directory assistance and mass announcement trunks for competing carriers. Most of this activity has been in the metropolitan New York City area. While similar figures are not immediately available for companies competing in Rochester Telephone's territory, we do know that competing local exchange companies serve approximately 18% of the Rochester market.

2. Interconnection and Collocation (Sections 251(a)(1), & (c)(6)).

Q. What rules govern the rates, terms, conditions, and points of interconnection between incumbent local exchange carriers and competitive providers? At what "technically feasible" points are incumbent local exchange carriers required to provide interconnection? What are your policies on physical or virtual collocation for intrastate services?

A. New York's comparably efficient interconnection standard requires that such interconnections be "technically and economically comparable to actual physical collocation". This standard is applicable to new entrants and incumbent LECs. Such interconnections have been requested of two local exchange carriers--New York Telephone and Rochester Telephone. These carriers independently determined that physical collocation would be the best way to satisfy the standard and each offers physical collocation.

We have established an obligation to provide all "reasonable interconnections" to any carrier requesting such interconnections. The "points" of interconnections may be negotiated as described in the response to Q.4. See response to Q.3(c) concerning interconnection rates. The Commission's collocation and unbundling standards are incorporated in its rules.

3. Unbundled Access (Sections 251(c)(3), 252(d)(1)).

Q. What rules (or standards for approving privately negotiated contracts) govern the unbundling of incumbent local exchange carriers' network elements, such as local loops, switching, transport, operator services such as 411 and 911, and databases and signaling? What related rules facilitate competitive use of such unbundled elements? Has the Commission determined that any network elements are not required to be offered on an unbundled basis? If so, which elements? Do you require access to any network elements that are proprietary? How would having access to such proprietary elements harm the incumbent? How would not having such elements harm the new entrant?

A. The NYPSC's policies related to unbundling of network elements are determined by its Open Network Architecture (ONA) rulings. The Commission's ONA policy envisions:

- A customer-directed, cost-based unbundling of essential network elements where the costs of the unbundling would be borne by the customer.
- A swift regulatory process--the ONA Task Force--for dealing effectively and rapidly with unmet or unrealized ONA requests.

In preparing an analysis of a customer's request, many factors are considered, chief of which are:

- availability--is the function available elsewhere, or is it a bottleneck function?
- practicality--can it be done?
- impact--what are the implications of the proposed unbundling for customers and the affected carriers?

We have not developed specific standards for the review of privately negotiated agreements, but have requested that such agreements be mutually acceptable and available on a non-discriminatory basis. The Commission has since ruled that evidence that an agreement is both mutually acceptable and non-discriminatory would be that it is incorporated into a filed and approved tariff.

3(b) Pricing of Unbundled Access (Sections 251(c)(3) and 252(d)(1)).1.5

Q. What rules or standards govern the pricing of unbundled network elements (loops, switching, transport, signalling, etc.)? In particular, please describe (1) whether prices are required to reflect forward-looking costs (cost of the element if purchased in the marketplace today) or historical (booked) costs; (2) whether and to what degree prices reflect allocation of common costs, and how such costs are identified; (3) whether prices must reflect costs associated with public policy programs, such as universal service or geographic rate averaging; (4) what degree of pricing flexibility, if any, is extended to providers of unbundled network elements; and (5) whether prices can reflect discount plans (such as volume and term plans).

A. As previously stated, the Commission's ONA principles govern generally the provision of unbundled network elements by incumbent LECs. The Commission found that it was neither required nor desirable to establish a single pricing standard or policy for the pricing of unbundled network elements. It concluded that no single pricing strategy could best serve the differing and sometimes conflicting goals sought in the pricing of regulated telecommunications services and elements. Rather, it elected to maintain a policy of tailoring the pricing of each service or element to its particular circumstance, in pursuit of the goal of optimizing the overall result of all pricing decisions.

Rates for unbundled elements reflect the flexibility inherent in the Commission's standard. Elements associated with existing retail services (such as links or unbundled loops) were derived by reference to embedded direct cost studies and include an allocation of common costs based upon relative investments. These rates do not reflect incremental costs. Rates for other unbundled elements, those not generally associated with retail services (e.g., 911 trunking; SS7 access; or, interim number portability arrangements), but which have been found necessary to facilitate competitive access have been set at the additional, incremental costs associated with their provision.

Rates for these services are not subject to the upward pricing flexibility normally associated with competitive retail offerings; however, volume and term discounts are available for elements such as links.

3(c) Rates, Terms, and Conditions (Sections 251(c)(2)(d) and 252(d)(1)).

Q. Please describe any interconnection rates or tariffs you have established. Also, please describe how these rates or tariffs were established and the ratemaking principles on which such rates or tariffs are based. (See item 3(b) above). Please identify any terms and conditions that you have established with regard to interconnection.

A. NYT and RTC have established tariffs for physical interconnections that establish rents for floor space and other operational requirements (e.g., security, access, power, etc.); these tariffs require that the cost of establishing these arrangements be borne by the interconnector. The cost standard is incremental and may, where appropriate, include offsets for contribution loss and the impacts of "stranded plant" NYT's tariff has separate rates (so called, universal service elements) that provide for such contribution offsets (from carriers that provide limited, non-"full service" competition); no evidence has been provide to date, however, to support the need for rates to offset stranded plant effects. See also response to Q. 2, 3(a), and 3(b) above.

4. Mutual Compensation (Reciprocal Compensation) (Sections 251(b)(5) and 252(d)(2)).

Q. Please describe the compensation arrangements you have established for transport and traffic termination. Are there different interim and long-run rules? In what circumstances is bill-and-keep used? Do different rates apply to end office termination and tandem termination?

A. The NYPSC recently adopted a framework for intercarrier compensation in its Competition II proceeding. It directed eligible LECs to provide incremental cost based, "meet point" tariffs for the termination of local traffic between facilities based, full service local exchange carriers. LECs which are facilities based, but choose not to provide services to residential and Lifeline customers, may also file meet point tariffs and charge other carriers (local and long distance) access to their network. In addition, non-full service LECs must pay a contribution charge to full service LECs to terminate their traffic.

The Commission's order further directs eligible LECs to provide both minute-of-use and flat rate options. The "flat rate" option includes a per month tariffed rate for the dedicated circuit between competitive LEC tandems or end offices, plus a monthly charge for the equipment used to terminate the facility.

If appropriate interconnections are provided and the network access arrangements are functionally equivalent, rates may be equal for traffic exchanged at the meet point. All LECs must establish mutually agreeable meet points for interconnection. In addition, incumbent LECs must make available a common interconnection meet point at their tandem switching locations. A new entrant without a tandem that provides access that is functionally equivalent to a tandem will be allowed to charge the incumbent's tandem rates at the meet point.

Presently, the peak period interconnection rates between NYNEX and other facilities-based, full service local exchange providers are set at \$0.0074 per minute (end-office interconnection) and \$0.0098 per minute (tandem interconnection). These rates decrease to \$0.0029 (tandem) and \$0.0027 (end office) for termination of off peak traffic. Monthly flat rate charges range from \$950 per DS1 port (end office interconnection) to \$1,710 per port (tandem interconnection).

The current interconnection arrangements in New York provide reciprocal compensation for all transport and switching functions performed on behalf of the billing company. Similarly, parties to the Rochester Open Market Plan ("Plan") negotiated reciprocal, uniform, minute-of-use charges between competitive carriers. The Plan established a reciprocal compensation arrangement of 2.21 cents per minute for transport and switching functions associated with terminating local traffic.

5. Resale (Sections 251(b)(1) & (c)(4) and 252(d)(3)).

Q. Please describe the terms and conditions on which resale of local exchange is required and/or permitted. What are the differences between the rates for retail and wholesale service? Also, please describe the ratemaking principles on which such wholesale rates are based (see item 3(b) above).

A. Resale is permitted in New York. In Rochester, wholesale rates are 5% below corresponding retail rates. In addition, for flat rate residential service, resellers are charged on a per minute basis for usage in excess of 750 minutes per month per customer. The 5% discount was based on RTC's estimate of the costs it was able to avoid by providing service at wholesale rather than retail.

The Commission recently instituted a generic proceeding to examine issues related to resale of telephone services and to determine appropriate cost-based rates for the provision of unbundled links and ports. In addition, NYT has been directed to file resale tariffs on July 1, 1996 to be effective October 1, 1996, with a temporary wholesale/discount rate.

6. Number Portability (Section 251(b)(2) and 251(e)).

Q. Please state the long-term number portability solution you have adopted and when you expect it to be "technically feasible". Please state any interim measures you are using. Have you addressed the issue of cost recovery regarding both interim measures and long-term solutions? If so, please describe the cost recovery mechanisms you have developed.

A. We have adopted Location Routing Number (LRN) as the long term service provider number portability solution. We expect it to become available during the second or third quarter of 1997. Currently, we are using the following interim measures: call forwarding, remote call forwarding and DID trunking, cost recovery strategies of interim measures have been decided; neither the costs nor the recovery strategies for LRN have been determined. There are two interim cost recovery methods. Either the new LEC pays a flat monthly rate per number forwarded (NYT's \$4 business/\$2 residence proposal) or the incremental switching and transport costs for forwarding calls are shared proportionally among the competing LECs in a given market area (the Rochester method.)

7. Dialing Parity (Section 251(b)(3)).

Q. Please state how you are dealing with the question of intrastate dialing parity. Please discuss any measures that have been implemented or discussed for providing telephone exchange and toll service providers with nondiscriminatory access to telephone number, operator services, directory assistance, and directory listing.

A. Through a series of orders issued in 1993 and 1994, intraLATA toll presubscription is required in New York. A 'Two-PIC' form of presubscription has been instituted, which allows customer to select different carriers for intraLATA and interLATA calls. NYT, RTC and Citizens Telecommunications have this capability as of March 1, 1996. The remainder of the incumbent local companies will provide presubscription not later than August, 1997. All new entrants have been required to provide presubscription.

Competitive local exchange carriers have equal access to numbering resources (under central office code assignment guidelines) and a number of NXX codes have already been assigned to them during the past 18 months (see response to Q.1). Access to local telephone company provided directory assistance, operator services and directory listings are provided pursuant to filed switched access and local exchange tariffs.

8. Universal Service (Section 254).

Q. What state rules, either currently in place or forthcoming, refocus intrastate universal service policies to redirect implicit subsidies towards explicit, competitively-neutral subsidies in reaction to competitive entry in incumbent LEC markets? What other measures have states taken to maintain universal service goals as competition evolves?

A. The Commission will soon issue an order in its Competition II proceeding. In addition to defining basic service, the order is expected to address funding and rate treatment to those carriers that provide residential service at affordable rates. It also will address exit requirements for carriers desiring to withdraw basic service offerings in any service territory, to ensure that basic service is not interrupted.

Regarding the issue of subsidies, the order is expected to address explicit funding of targeted socially beneficial programs, such as Lifeline, emergency services, and telecommunications relay service and explicit funding to maintain rate affordability and to allow incumbent LECs to recover revenue requirement shortfalls due to competitive losses and other factors (e.g., access charge reductions). The specific mechanisms will be developed in a further proceeding.

10. Geographic Averaging (Section 254(g)).

Q. To what extent are providers or intrastate interexchange service and other services (such as local exchange service) permitted or required to charge different rates in different geographic areas? Do any such rate differences reflect cost differences, or "value of service" differences?

A. Interexchange carriers' rates for interLATA service within the State are geographically averaged. For interLATA toll service, rates are filed on a LATA-wide rather than statewide basis. Incumbent carriers' local exchange rates are set on an exchange-by-exchange basis and are based on the size of the local calling area. NYT's toll rates are set according to mileage bands for the upstate region. For the downstate area, rates are set forth in a matrix of region-to-region calls. These rates are generally lower for downstate than upstate for calls of equal distances because NYT faces greater competitive pressures in its downstate markets.

Ohio

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The following are responses to specific questions posed by the Federal Communications Commission (FCC) concerning the policies for local competition in Ohio. In Ohio, Case No. 95-945-TP-COI, relative to the establishment of local exchange competition and other competitive issues, is pending. The Commission issued the staff's recommendation for comment on September 27, 1995. Initial and reply comments to the staff's recommendation were filed on December 14, 1995, and January 12, 1996, respectively. In addition, the Commission has called for additional comments pertaining to the effect of the newly enacted Telecommunications Act of 1996 on the staff's recommendation.

The Commission has also approved requests filed by Time Warner Communications of Ohio, L.P. (Time Warner), MCI Metro Access Transmission Services, Inc. (MCI Metro), and MFS Intelenet of Ohio, Inc. (MFS), for authority to provide switched local exchange service in Ohio. In granting those requests, the Commission stated that negotiations between the applicants and the incumbent local exchange companies should commence for the purpose of developing interconnections agreements. After months of unresolved negotiations between Time Warner and Ameritech Ohio, for interconnection, on March 1, 1996, the Commission, in a record proceeding, set forth specific direction for the parties to follow in their negotiations and sent them back to the negotiations table on other various unresolved issues.

The following response is put together by the staff of the Commission and reflects the staff's proposal issued in September 1995, issues under considerations which were brought out in the comments responding to staff's proposal, and the Commission's direction given in the Time Warner and Ameritech negotiations. It should be emphasized that this is a staff originated document and that it does not represent the staff's final recommendation in light of the Telecommunications Act of 1996 nor the Commission's final determinations in the local competition docket in Ohio.

I. Certification Requirements and Removal of Barriers to Entry (Section 253)

Questions: Please describe your certification requirements for newly entering providers of facilities-based and resale local exchange service. What actions have been taken to remove barriers to entry? What, if any, barriers to entry remain? Have any facilities-based or resale providers begun to offer competitive local service? If so, which carriers are providing what types of services? What is the level of competition?

A. Staff proposal as of September 1995

1. All entities, both facilities and non-facilities based entities seeking to provide basic local exchange service would be required to register with the Commission.
2. Entities must provide information designed to allow a determination of whether an applicant has the financial, managerial, and technical abilities to warrant granting of a certificate.
3. Illustrative tariffs would be filed with the application, and the actual tariffs would be filed after the entity determines its interconnection arrangements, but prior to service implementation.
4. Certified entities must comply with the requirements such as: lifeline, communicatively impaired discounts, blocking of 976 services, disconnection of local service rules, 9-1-1 service, extended area service rules, privacy and number disclosure requirements, and provisions involving customer-owned, coin-operated telephones.

B. Commission Actions

1. As mentioned above, the Commission has conditionally granted the requests of three entities to provide basic local exchange service in Ohio. These entities are: Time Warner, MFS, and MCI Metro. Furthermore, there are applications pending from four other entities ICG Access, USN Communications, Cablevision Lightpath, and AT&T.

2. Barriers to entry have been removed for competitive telecommunications service providers of non-basic services pursuant to the Commission's order in Case No. 89- 563-TP-COI. Per that order the entities may file for certification through a registration that is automatically approved thirty days after filing. In addition, pure resellers or "switchless rebillers" of non-basic services are relieved from jurisdiction thirty days after filing.

II. Interconnection and Collocation (Sections 251(a)(1), (c)(2), and (c)(6))

Questions: What rules govern the rates, terms, conditions, and points of interconnection between incumbent local exchange carriers and competitive providers? At what "technically feasible" points are incumbent local exchange carriers required to provide interconnection? What are your policies on physical or virtual collocation for intrastate services?

A. Staff Proposal as of September 1995

1. Staff proposed that points of interconnection between the incumbent LEC and the competitive provider shall take place at the end office, at the tandem office, at an agreed upon meet point, or at any technically feasible point within the carrier's network.
2. Staff proposed that LECs and competitive providers, upon receipt of a bona fide request for interconnection, shall negotiate in good faith for interconnection, and tariff the agreed upon basic interconnection rates (cross-connect elements, central office floor space, etc.). The remaining interconnection terms and conditions shall be determined through good faith negotiations. The next interconnector with substantially similar interconnection requirements shall be permitted to avail itself of an existing interconnection agreement or negotiate its own agreement. Interconnection rates shall be cost-based and non-discriminatory.
3. The Commission in its Finding and Order in Case No. 92-1992-TP-COI, and pursuant to the FCC order in CC Docket No. 91-141 the "Expanded Interconnection Order", adopted a negotiated collocation policy rather than mandating either physical or virtual collocation. Therefore, staff proposed that the form of collocation be subject to mutual agreement between carriers.

III(a) Unbundling Access (Section 251(c)(3), 252(d)(1))

Questions: What rules (or standards for approving privately negotiated contracts) govern the unbundling of incumbent local exchange carriers' network elements, such as local loops, switching, transport, operator services, such as 411 and 9-1-1, and databases and signaling? What related rules facilitate competitive use of such unbundled elements? Has the Commission determined that any network elements are not required to be offered on an unbundled basis? If so, which elements? do you require access to any network elements that are proprietary? How would having access to such proprietary elements harm the incumbent? How would not having such elements harm the new entrant?

A. Staff Proposal as of September 1995

1. Staff proposed that all facilities-based carriers unbundle their networks upon a bona fide request.
2. Unbundling should proceed upon a bona fide request for any component or service which may be reasonably disaggregated including, but not limited to, local access, transport, switching, signaling, 9-1-1, database access, and operator services.

III(b) Pricing of Unbundled Access (Sections 251(c)(3) and 252(d)(1))

Questions: What rules or standards govern the pricing of unbundled network elements (loops, switching, transport, signaling, etc.)? In particular, please describe (1) whether prices are required to reflect forward-looking costs (cost of the element if purchased in the marketplace today) or historical (booked) cost; (2) whether and to what degree prices reflect allocations of common costs, and how such costs are identified; (3) whether prices must reflect costs associated with public policy programs, such as universal service or geographic rate averaging;

- (4) what degree of pricing flexibility, if any, is extended to providers of unbundled network elements; and
 (5) whether prices can reflect discount plans (such as volume and term plans).

A. Staff Proposal as of September 1995

1. Prices for unbundled network elements must be cost-based, tariffed, and non-discriminatory. Prices would be required to reflect forward-looking costs (i.e. long-run incremental costs) "LRSIC".
2. Prices would be set such that the carrier would recover its LRSIC for providing the unbundled network component plus a reasonable contribution to joint and common overhead costs. Staff proposed that the following safeguards be used in the evaluation of the reasonableness of the contribution level above LRSIC of any unbundled network component:
 - a. If the bundled rate is priced above its LRSIC, the contribution level for each of the unbundled elements, used by its competitors to compete against the bundled service, shall be consistent with the contribution level in the bundled rate.
 - b. If the bundled rate is priced below its LRSIC, the competitor's cost to self-provision the unbundled element shall be the ceiling for the price of the unbundled element.
3. Any explicit or implicit subsidy to the preservation of universal service should not be recovered through carrier-to-carrier charges (i.e. interconnection, unbundled network elements, and transport and termination of traffic charges). Regarding geographic rate averaging, a carrier may deaverage its unbundled loop costs to reflect its actual costs, has the burden to demonstrate cost differences that warrant such cost deaveraging.
4. Pricing flexibility is not extended to the providers of unbundled network components. Staff requested comments from parties about whether such prices can reflect discount plans (such as term and volume discount), but did not have a specific proposal on this issue.

III(c) Rates, Terms, and Conditions (Sections 251(e)(2)(d) and 252(d)(1))

Questions: Please describe any interconnection rates or tariffs you have established. Also, please describe how these rates or tariffs were established and the ratemaking principles on which such rates or tariffs are based. (See item 3(b) above). Please identify any terms and condition that you have established with regard to interconnection.

A. Staff Proposal as of September 1995

1. The reciprocal interconnection requirements are applicable to both incumbent LECs and competitive providers upon receipt of a bona fide request for interconnection. Incumbent LECs which have interconnection tariffs shall use those tariffs in providing interconnection to other carriers requesting the same type of interconnection (e.g. virtual, physical, optical).
- B. Current Tariffs**
1. The interconnection tariffs currently in effect in Ohio are the expanded interconnection (virtual collocation) tariffs for the Tier 1 LECs. These tariffs are established by mirroring the Tier 1 LEC's FCC tariffs.

IV. Mutual Compensation (Reciprocal Compensation) (Sections 251(b)(5) and 252(d)(2))

Questions: Please describe the compensation arrangements you have established for transport and traffic termination. Are there different interim and long-run rules? In what circumstances is bill-and-keep used? Do different rates apply to end office termination and tandem termination?

A. Staff Proposal as of September 1995

1. The long-term compensation for transport and traffic termination shall be reciprocal, non-discriminatory, tariffed, and cost-based.
2. For compensation for local traffic termination, staff proposed that an interim period (Phase A) be established for one year during which the bill-and-keep method would be utilized. That one year would begin from the date the Commission issues its rules or the date the first interconnection in the state becomes operational (exchange of phone calls) whichever comes later.

3. Upon expiration of the interim period, depending on when the Commission establishes the state universal service fund, staff proposed two phases. In Phase B, during which the incumbent LECs would use their intrastate switched access rates (exclusive of CCLC and RIC) for local traffic termination, the competitor providers would either choose to develop cost-based compensation rates or adopt compensation rates based on the weighted average of terminating access rates of all LECs on whose network the competitor terminates its traffic. During that phase, reciprocal compensation would be applied to traffic exchanged between incumbent LECs in EAS exchanges where there is a competitive provider certified in at least one of the respective exchanges. In Phase C, where both incumbent LECs and competitive providers could implement reciprocal cost-based traffic termination rates. This phase would commence upon the expiration of the interim period of bill-and-keep, depending on the implementation of the state universal service fund (i.e., Phase B may not be implemented).

4. In the staff proposed bill-and-keep interim period, no monetary compensation would be exchanged regardless of end office termination or tandem termination. However, in Phase B and ultimately Phase C, the staff proposed that compensation rates would be different in end office termination and tandem termination in order reflect cost differences.

B. Commission Action

1. Based on the Commission directions established on March 1, 1996, in the interim interconnection arrangement between Time Warner and Ameritech, bill-and-keep will be the compensation method for local traffic termination between these two carriers until the end of December 1997.

V. Number Portability (Section 251(b)(2) and 251(e))

Questions: Please state the long-term number portability solution you have adopted and when you expect it to be "technically feasible". Please state any interim measures you are using. Have you addressed the issue of cost recovery regarding both interim measures and long-term solutions? If so, please describe the cost recovery mechanisms you have developed.

A. Staff Proposal as of September 1995

1. Incumbent LECs and the competitive providers must provide true service provider number portability to other carriers upon receipt of a bona fide request for interconnection by a certified local exchange provider. Until the true service provider number portability is implemented interim number portability using Remote Call Forwarding (RCF) or Direct Inward Dialing (DID) shall be provided. Carriers shall have 12 months from the first bona fide request for interconnection to provide the true service provider number portability to all interconnecting carriers.

2. Staff did not propose a specific cost recovery method for interim number portability. With respect to the number portability, the Public Utilities Commission of Ohio supported the use of a Federal/State Joint Board to resolve the issue of cost allocation in comments submitted in CC Docket #95-116.

B. Commission Action

1. Based on the Commission directions established on March 1, 1996, in the interim interconnection arrangement between Time Warner and Ameritech, interim number portability between these carriers will be provided via Remote Call Forwarding (RCF) until Local Routing Number (LRN) becomes available as a long term solution. The monthly RCF rate for residence (including 4 call paths) will be \$1.00 with a \$0.37 charge for each additional call path. The monthly RCF rate for business (including 10 call paths) will be \$3.25 with a \$0.25 charge for each additional call path. Non-recurring rates will not be charged for RCF as interim number portability in this arrangement. This arrangement is to continue until a long term true number portability solution is implemented.

VI. Resale (Sections 251(b)(1) and (c)(4), and 252(d)(3))

Questions: Please describe the terms and conditions on which resale of local exchange is required and/or permitted. What are the differences between the rates for retail and wholesale service? Also, please describe the ratemaking principles on which such wholesale rates are based (see item 3(b) above).

A. Staff Proposal as of September 1995 - Staff proposed that there would be a two tariff system with a end user tariff and a registered carrier tariff.

1. End User Tariff

a. The end user tariff would be the "retail pricing" tariff available to all end users and nonregistered local service providers or resellers (such as shared tenant service providers).

b. Volume and/or term discounts would be available to end users.

2. Registered Carrier Tariff

a. The registered carrier tariff would be two-tiered.

b. A registered carrier would have to purchase network services, components, and functionalities (bundled or unbundled) from any LEC or facilities-based new entrant carrier's tariff.

c. A nonfacilities-based registered carrier local service provider would have to purchase network services, components, and functionalities (bundled or unbundled) from any certified local service provider's carrier tariff at a wholesale rate.

d. Services available to registered facilities-based carriers would have to be priced at long-run service incremental cost plus a reasonable contribution toward recovery of the company's joint and common overhead costs.

e. Services available to registered nonfacilities-based carriers would be set at wholesale rates. The wholesale rates would be set on the basis of LRSIC cost and would include appropriate wholesale cost elements.

f. A proxy rate would reflect a discount representing estimated retail-function avoided costs as a percentage of total operating costs reported annually on Form M to the FCC.

3. Terms and Conditions

a. Subject to Commission approval, carriers may place reasonable restrictions on the resale of residential services to business customers.

b. Volume discounts offered on any network service, component, and functionality may not result in prices lower than the carriers rate for the same network service.

B. Additional Proposals Which Are Under Consideration for the Registered Carrier Tariff

1. The first tier of the tariff would include unbundled features, components, and functionalities.

2. The second tier of the tariff would include bundled service packages.

3. The unbundled and bundled features, components and, functionalities contained in the tariff would be available to any registered carrier (either facilities-based or nonfacilities-based).

4. The first tier prices (unbundled service) would be set at the long-run incremental cost, plus reasonable contribution toward recovery of the carrier's joint and common overhead costs.

5. The tier-two prices (bundled service) would be set at long-run incremental cost, plus a reasonable contribution toward recovery of the carrier's joint and common overhead costs. The costs would not include any retail cost components, but may include wholesale cost components.

VII. Dialing Parity (Section 251(b)(3))

Questions: Please state how you are dealing with the question of intrastate dialing parity. Please discuss any measures that have been implemented or discussed for providing telephone exchange and toll service providers with nondiscriminatory access to telephone number, operator service, directory assistance, and directory listings.

A. Staff Proposal as of September 1995

1. Staff's proposal is statewide dialing parity. New entrants would be required to implement intraLATA dialing parity upon commencement of service and LECs would have twelve months from the date of the Commission's order in Case No. 95-945-TP-COI to implement intraLATA dialing parity.
2. Staff has proposed that local service providers exchange numbers and directory listing information at cost. New entrants and LECs would continue to be required to meet minimum telephone service standards regarding directory assistance and directory provisioning. New entrants and LECs may self provide directories and directory assistance or they may obtain directory provisioning and directory assistance services from other new entrants, LECs, or third party providers via contracts or tariffs.

B. Commission Action - The Commission has ordered intraLATA dialing parity in two large LEC serving territories (Western Reserve Telephone Company and Cincinnati Bell Telephone Company) as a condition of those LECs alternative regulation plans.

VIII. Universal Service (Section 254)

Question: What state rules, either currently in place or forthcoming, refocus intrastate universal service policies to redirect implicit subsidies towards explicit, competitively-neutral subsidies in reaction to competitive entry in incumbent LEC markets? What other measures have states taken to maintain universal service goals as competition evolves?

A. Staff Proposal as of September 1995

1. High Cost Funding (HCF) Assistance
 - a. Staff recommended a benchmark proxy method with a single state-wide average benchmark proxy rate likely to be developed on the basis of LEC wire centers.
 - b. All providers of intrastate telecommunications services must contribute to an intrastate universal service fund in a manner determined by the Commission. Carriers would be eligible for support from the fund for an amount equal to the difference between the benchmark proxy and the actual rates charged to end users.
 - c. Implementation may coincide with federal universal service fund.
2. Low Income (Lifeline) Assistance
 - a. The current programs which are in place would be continued, namely Service Connection Assistance and Telecommunications Service Assistance.
 - b. The universal service fund high cost program would not alter or change Ohio's low income or lifeline programs.

IX. Geographic Averaging (Section 254(g))

Question: To what extent are the providers of intrastate interexchange service and other services (such as local exchange service) permitted or required to charge different rates in different geographic areas? Do any such rate differences reflect cost differences, or "value of service" differences?

A. Staff Proposal as of September 1995

1. For end user tariffs, new entrants would be afforded the opportunity to price services at market-based deaveraged rates, by customer type and class.
2. A LEC or facilities-based new entrant would have the option of determining its Tier 1 and Tier 2 pricing, based on the required costing methods.